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TAGS: [PREL](#) [PGOV](#) [PA](#)
SUBJECT: WHA/BSC OFFICE DIRECTOR DRUCKER VISITS PARAGUAY
REF: ASUNCION 177

Classified By: DCM Michael J. Fitzpatrick; reasons 1.4 (b) and (d).

11. (C) SUMMARY: During his October 2-4 visit to Asuncion, WHA/BSC Officer Director Drucker met with a wide range of political, economic and social interlocutors. Paraguay's counternarcotics secretariat, its intellectual property operations unit, and several economic crimes prosecutors expressed gratitude for USG assistance. Journalists privately warned that Venezuela's President Chavez would heavily influence presidential pre-candidate and former Catholic bishop Lugo's policies, but believed it increasingly likely that Lugo will be disqualified as a presidential candidate. A prominent academic asserted Lugo's campaign has lost momentum, that Colorado candidate Blanca Ovelar is surging in popularity, and that retired General Oviedo would be the "worst option" for U.S. interests in Paraguay. National Electoral Tribunal (TSJE) President Morales said that while the TSJE is ready for April's elections, it would appreciate U.S. technical assistance as well as international observers. While we agree with the political analysis Drucker heard during his visit, it is important to note that given so many political and legal variables, political analysis in Paraguay goes stale very quickly. In our view, it is too early to crown Ovelar as the Colorado front-runner, just as it would be premature to rule Lugo out. END SUMMARY.

USG-SUPPORTED UNITS GRATEFUL FOR ASSISTANCE

12. (C) During his October 2-4 visit to Asuncion, WHA's Brazil/Southern Cone Officer Director Milton Drucker met with Paraguay's counternarcotics secretariat, its intellectual property operations unit, and several economic crimes prosecutors, all of whom expressed thanks for USG assistance. Hugo Ibarra, the director of SENAD, Paraguay's counternarcotics secretariat, explained that most of the illicit drug activity in Paraguay is run by Brazilians in and around the tri-border area. Ibarra attributed SENAD's record drug seizures this year to close collaboration with the DEA and specialized counternarcotics judges who often issue search or arrest warrants from home in order to protect SENAD's operational plans. Colonel Felix Cruz, the director of UTE, Paraguay's intellectual property operational unit, underscored the urgency of institutionalizing UTE before the next administration takes office in August 2008, since it is currently operating under presidential decree. Like Ibarra, Cruz's biggest challenge is protecting planned seizures of pirated goods from operational information leaks. He said most district attorneys and judges are corrupt, and that he can trust very few. Many times, by the time Cruz executes a seizure, he said, the pirated goods have been moved to another location.

13. (C) Drucker also met with several prosecutors from the

Public Ministry's elite economic crimes unit. The prosecutors lamented the Paraguayan government's lack of support for their work, mostly because high-level government officials are often their targets for corruption and other economic crimes. The unit's lead prosecutor, Carlos Arregui, thanked the Embassy for its support in consolidating the unit into a central location, and for its assistance with case management software. Drucker suggested the unit maximize the software's potential by moving from paper-based files to a digital system to facilitate the unit's work and protect evidence. Arregui hopes to bring additional cases on line, but said personnel and resources constraints make progress difficult, particularly since the rest of the Public Ministry would also have to modernize its system.

ANALYSTS ON EXTERNAL INFLUENCE, ELECTIONS GENERALLY

¶4. (C) Drucker had dinner October 2 with two journalists who warned that Venezuela's President Chavez would heavily influence the policies of Fernando Lugo, should he be elected president in April. In stark contrast to the anti-Chavez rhetoric which appears in Asuncion's daily newspapers via editorials, both journalists agreed that Chavez is viewed favorably in the country's interior. Both thought, however, it is increasingly likely that Lugo will be disqualified as a candidate, thus triggering likely social protests. Regarding the potential candidacy of former coup plotter Lino Oviedo, the journalists believed President Duarte will wait to see how his own candidate, Blanca Ovelar, fairs in the race versus Lugo before deciding whether he will set events in motion to allow Oviedo to compete. (NOTE: It is widely recognized that the Colorado Party controls Paraguay's Supreme Court, which will be the final arbiter of the pending charges against Oviedo and could also decide on Lugo's candidacy. END NOTE).

¶5. (C) Benjamin Hernandez, a prominent op-ed columnist and academic, told Drucker October 3 that Lugo's campaign has lost momentum. Hernandez, who is slated to teach as a guest professor at Harvard beginning in January 2008, said as compared to three months ago, he no longer views Lugo as the likely winner of the April elections. Hernandez, who said he's known Lugo for years, gave several examples of Lugo's leadership style. First, he told Drucker a story about visiting Lugo's house, in which he found clothing all over the floor. He said he asked Lugo why his house was so disorganized and that Lugo replied that he didn't feel compelled to pick his clothes up. Second, he said Lugo is non-confrontational, and that he frequently walks out of meetings, telling the disagreeing parties to "work it out" and contact him when they've resolved their dispute. He said that Lugo "isn't capable of resolving anything."

¶6. (C) Hernandez also noted Colorado candidate Blanca Ovelar's surge in popularity, and told Drucker that Oviedo may be the "worst option" for U.S. interests in Paraguay. Hernandez said that despite her mild anti-U.S. rhetoric, Ovelar might be a good partner for the United States. Hernandez said that Ovelar's rhetoric is due to President Duarte's influence, and is probably just electoral politics. He noted that both Lugo and Oviedo come from somewhat totalitarian (top-to-bottom) backgrounds (Lugo from the church, Oviedo from the military) which do not encourage discussion or debate, but said Oviedo would likely be worse for the bilateral relationship. He also noted that Vice President Luis Castiglioni is down approximately 10 percent in the polls and appears to be losing strength.

NATIONAL ELECTORAL COURT READY BUT WOULD WELCOME US ASSISTANCE

¶7. (C) National Electoral Tribunal (TSJE) President Morales told Drucker that while the TSJE is ready for elections, it would appreciate U.S. technical assistance and support for international observers. Morales, the designated Colorado on

the court, openly admitted his political leanings (fifty years a Colorado, he said he had no problems with Stroessner's "elections") and made no pretense of preserving the TSJE's neutrality. (NOTE: An informal agreement among political parties provides that of the three judges, one represents the Colorado Party, another the Liberal Party, and the third an independent political party in order to maintain balance in the institution. END NOTE). Morales also noted the continuing feud amongst the tribunal's judges (reftel), but said he and Minister Dendia constitute a majority of the tribunal and will run elections. In response to Drucker's inquiry about inviting the OAS to observe the April elections, Morales said the TSJE already invited the OAS to observe and was making plans for other organizations, including CAPEL, the National Endowment for Democracy, regional electoral courts, and local embassies to observe as well. (NOTE: Subsequent to this meeting, a high-ranking OAS official denied that the Paraguayan government had formally invited OAS observers. END NOTE). Finally, Morales noted his strong preference for electronic voting, the new norm under Paraguayan law, but said due to opposition from some Colorado factions (namely Castiglioni and Alderete), Congress may change the rules of the game before the April elections. Morales noted that the main disadvantage to using paper ballots is that final results won't be released for up to two weeks following the election.

COMMENT

18. (C) While we agree with the political analysis Drucker heard during his visit, it is important to note that given so many political and legal variables, any electoral analysis in Paraguay goes stale very quickly. In our view, it is too early to crown Ovelar as the Colorado front-runner, just as it would be premature to rule Lugo out. While Ovelar may be surging in popularity to Castiglioni's detriment as of late, she is facing new allegations that she used state resources for campaign travel October 4. Likewise, Oviedo's release from jail and subsequent politicking may have slightly detracted from Lugo's candidacy in past weeks, but if Lugo is indeed being bankrolled by Chavez (which we have yet to confirm), he is likely to be a major presidential contender for financial reasons alone as long as he's in the race. In short, the many (and mostly legal) variables in this electoral contest are likely to ensure that it remains anybody's game for the foreseeable future. END COMMENT.

WHA/BSC Milt Drucker cleared this message.
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